

Service Date: February 15, 2002

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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| IN THE MATTER OF TRIANGLE TELEPHONE |) | UTILITY DIVISION |
| COOPERATIVE ASSOCIATION and PROJECT |) | |
| TELEPHONE COMPANY, Application for |) | DOCKET NO. D99.5.129 |
| Telephone EAS between Certain Identified |) | |
| Exchanges and the U S WEST COMMUNICATIONS, |) | ORDER NO. 6220b |
| INC., Billings Exchange or Billings EAS Region |) | |

FINAL ORDER

Introduction

1. Through this order the Public Service Commission (PSC) expands the Billings telephone extended area service (EAS) region to include additional Billings-area telephone exchanges. Upon implementation of this order (within 180 days of the service date of this order, *see para. 10, below*) telephone calls between exchanges within the region, as expanded, will be considered local (as opposed to toll or long distance) and local rates, increased to recover the costs of the expanded EAS, will apply. *For background regarding creation of the Billings EAS region and additional information on EAS see consolidated PSC Docket No. D95.10.146, Order No. 5889b, and PSC Docket No. D95.10.147, Order No. 5890b (February 21, 1997) and PSC rules ARM 38.5.1305 through 38.5.1315.*

Findings of Fact

2. In May 1999 Project Telephone Company (Project) and Triangle Telephone Cooperative Association (Triangle) applied before the PSC for additional telephone EAS with Qwest Corporation's (Qwest, formerly U S West Communications, Inc.) existing Billings EAS region. The applications involve addition of the Project Billings-area exchanges of Absarokee, Belfry, Crow Agency, Fort Smith, Huntley, Lodge Grass, Pompey's Pillar, Worden, and Wyola and the Triangle Billings-area exchanges of Broadview, Molt, Rapelje, and Reedpoint.

3. In May 1999 the PSC commenced the community of interest phase of this EAS

proceeding. *See generally, ARM 38.5.1313 (EAS community of interest requirements).* By mid-July 1999 call usage studies (also commonly referred to as call pattern studies or traffic studies) were submitted by Project, Triangle, and Qwest. The studies demonstrate that an EAS community of interest exists between and among most of the Project and Triangle exchanges involved in the additional EAS and one or more exchanges in the Billings EAS region. Other information demonstrating a community of interest exists (e.g., economic or demographic information) for all exchanges involved has been received by the PSC throughout proceedings on the matter. Regarding some of the exchanges, available schools, libraries, hospitals, medical and dental services, centers of commerce, governments, and other important functions are in other exchanges within the region.

4. In September, 1999, the PSC commenced the cost analysis and rate design phase of the EAS proceeding. *See generally, ARM 38.5.1315 (EAS cost analysis and rate design requirements).* The cost analysis and rate design phase produced significant differences of opinion regarding intercompany compensation (e.g., whether Qwest customers should pay a portion of Project customers' costs of EAS or visa versa). Project and Triangle eventually reached an agreement with Qwest regarding costs (essentially the agreement provides that each company will absorb its own costs), but the agreement was in part subject to a PSC resolution of an intercompany compensation dispute between Qwest and Mid-Rivers Telephone Cooperative, Inc. (application for EAS with Billings region) and 3 Rivers Telephone Cooperative, Inc. (application for EAS with Great Falls region) which could not be settled. The legal issue regarding intercompany compensation was resolved by the PSC July 27, 2001. *See, consolidated PSC Docket No. 99.7.172, Order No. 6221c (3 Rivers), and PSC Docket No. D2000.6.95, Order No. 6328a (Mid-Rivers).* The PSC determined that it does not have authority to order intercompany compensation in EAS arrangements.

5. The resolution of that issue allowed meaningful further proceedings on the Triangle, Project, and Qwest Billings EAS region cost and rate design agreement. Remaining required cost analyses and rate design proposals related to expanding the Billings EAS region were submitted by November 9, 2001. For rate design Triangle and Project each propose two

calling plans, one unlimited and the other measured. The rates referenced in this order are monthly and are base rates only (not including taxes or other mandated rate additives). Certain Triangle or Project customers (e.g., toll-restricted, payphone providers) may be subject to additional conditions. Triangle's unlimited rate will be \$26.50 for residential customers and \$44.00 for business customers. Triangle's measured rate will be \$19.95 plus \$0.05 per minute for residential customers and \$37.45 plus \$0.05 per minute for business customers. The Triangle per minute charge does not apply to calls to points within the originating Triangle exchange. Project's unlimited rate will be \$26.94 for residential customers and \$44.44 for business customers. Project's measured rate will be \$20.00 plus \$0.07 per minute for residential customers and \$37.50 plus \$0.07 per minute for business customers. The Project per minute charge does not apply to pre-existing Project local or EAS routes. Qwest proposes a rate change that defers and reduces a scheduled, May 2002, \$0.16 reduction in the Qwest EAS region statewide monthly EAS increment (currently \$2.44).

6. Public hearing on the proposed expansion of the Billings EAS region was held January 31, 2002, in Billings. At hearing certain documents relating to the proceeding, including the agreement among Project, Triangle, and Qwest, were admitted as evidence. Project, Triangle, and Qwest gave a brief presentation regarding their positions and perspectives on the proposed EAS. Public comments were received. At hearing no person spoke in opposition to the proposed EAS. The PSC has received written comments from the public. Most written comments favor the proposed EAS.

7. The PSC determines that the applications of Project and Triangle for additional EAS with the Billings EAS region should be approved. The cost agreement between Project and Triangle and Qwest, which essentially provides that each will absorb its own costs of EAS, should be approved. The PSC determines that the rate design proposals of Project, Triangle, and Qwest result in just and reasonable rates.

8. At the public hearing some persons noted that Project's Clark exchange (Wyoming) should be included in the Billings EAS region. Following the public hearing it was related to the PSC that Project's South Wyola exchange (Wyoming) should also be considered for

addition to the Billings EAS region. The PSC cannot approve addition of these exchanges at this time. However, it is possible to reserve the issue of adding these exchanges and consider it through continuation of this docket. However, an order allowing addition of the remaining exchanges should not be delayed.

Conclusions of Law

9. The PSC has jurisdiction over the Project and Triangle application for additional EAS with the existing Billings EAS region. Jurisdiction is as provided by Title 69, Ch.3, MCA. Project and Qwest are public utilities subject to regulation by the PSC. Triangle is a cooperative, not generally subject to regulation by the PSC, except by necessity in regard to certain proceedings such as approval of Triangle EAS arrangements with regulated public utilities.

10. The PSC has fully considered the applications of Project and Triangle, the call usage studies, cost analyses and rate design proposals, the cost agreement of Project, Triangle, and Qwest, and all evidence and comments filed or presented at hearing, including comments from the public. The PSC determines that the applications, studies, proposals, and agreement comply with all laws applicable. *See, ARM 38.5.1305 through 38.5.1315.* The PSC determines that the Billings EAS region should be expanded to include additional exchanges. The PSC determines that Project, Triangle, and Qwest should implement the EAS arrangement within 180 days of the service date of this order.

11. The PSC determines that addition of Project's Clark, Wyoming, and South Wyola, Wyoming, exchanges to the Billings EAS region should be considered in a reserved issue procedure. A procedural conference will be conducted or a procedural order will be issued regarding the reserved issue at some time after this order is issued.

ORDER

IT IS HEREBY ORDERED the Qwest Billings EAS region is expanded to include the Project and Triangle exchanges identified above (*at para. 2*). The rates of Project, Triangle, and

Qwest shall be amended to reflect the rate designs referenced above (*at para. 5*). The expansion of the Billings EAS region shall be implemented within 180 days of the service date of this order.

EAS rates are subject to change as are other regulated rates. Compliance tariffs reflecting the rates approved in this order must be filed by the regulated companies (i.e., Project and Qwest).

The addition of Project's Clark, Wyoming, and South Wyola, Wyoming, exchanges to the Billings EAS region will be considered in a reserved issue procedure, which will be a continuation of this docket.

Done and dated this 14th day of February, 2002, by a vote of 5-0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

GARY FELAND, Chairman

JAY STOVALL, Vice Chairman

BOB ANDERSON, Commissioner

MATT BRAINARD, Commissioner

BOB ROWE, Commissioner

ATTEST:

Rhonda J. Simmons
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.